

Insurance Coverage:

Automobile Risk in Business

Non-Owned and Hired Automobile Liability Coverage.

Does your business have potential automobile loss exposures that you are not aware of? You've taken all of the necessary steps to ensure that your own fleet operation is properly covered in the event of an accident. But what about the loss potential that arises from individual employees who operate their own personal vehicles for company business?

There are many situations that present a potential for you to be held accountable for the actions of your employees while they are driving their own vehicles.

- Do employees use their own vehicles on your company's behalf?
- Do you occasionally send an employee to pick up a visiting client at the airport?
- Have you sent employees to pick up lunch, drop off mail, or pick up office supplies?
- Have you ever rented a vehicle while on a business trip?
- Do you have a sales force to which you provide a car allowance for business use of their personal vehicles?

If an employee has an accident under any of these situations, your business can be held accountable and sued for damages. Basic business automobile policies only cover employees while they operate company-owned vehicles to perform company business. Your best protection: non-owned and hired automobile liability coverage. This type of coverage will kick in if there is an accident and your company is found legally liable. Typically, an employee's personal automobile insurance will provide primary insurance to both the employee and the business if the employee is using her own vehicle on company business. The business' non-owned and hired automobile liability coverage provides excess coverage: if no coverage exists, the business is vulnerable to a potentially costly exposure.

Non-owned and hired automobile liability insurance covers bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees). This coverage is typically added to your business automobile policy. It protects your company if it is found legally liable as a result of an automobile accident that you or your employee has in a hired or non-owned vehicle while on company business. Hired automobile coverage replaces or augments the liability coverage offered by automobile rental agencies.

Use a Company Policy to Reduce Risk

According to the National Safety Council, 28 percent of car crashes are attributable to cell phone use while driving. Since distracted driving accidents can have serious implications for companies, a company policy that emphasizes the importance of driving attentively and restricts the use of mobile phones is essential to preventing employee accidents in all vehicles, both personal and company-owned. In addition, the policy should clearly state when the use of a personal vehicle will be expected or allowed, and all employee job descriptions should specify when driving a personal vehicle will be a

job function. As a condition to employment and thereafter at least on a yearly basis, those employees driving personal vehicles should be required to provide:

- Proof of a driver's license
- Motor vehicle safety inspection certificates
- Copy of insurance certificates proving liability coverage at or above an established company limit including personal injury and medical limits
- Proof that the employee has declared the use of the auto for business to his or her insurer
- Exhaustive lists of all prescribed controlled medications

Further, you should reserve the right to check motor vehicle records annually or more frequently.

Enforce the Policy

After the driving policy has been instated, it should be actively communicated and enforced. Managers of employees utilizing personal vehicles should be directed to monitor the safety and maintenance of those vehicles. Employees found out of compliance with the company policy should be subject to reassignment or termination. It is every employer's responsibility to ensure its employees' safety on the job, and those that use personal vehicles on business are no exception. Contact the insurance professionals at Chappell, Smith & Associates, Inc. for more help assessing your company's risk regarding the use of personal vehicles, or to learn more about hired and non-owned coverage. →